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Shaw, James J.

Municipal trading

Dublin

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Municipal Trading.

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AN ADDRESS

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Opening of Session, 1901-2,

OF THE

Statistical and Social Inquiry Society of Ireland

BY

JAMES J. SHAW, K.C., LL.D.,

County Court Judge of Kerry.

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Municipal Trading.

ONE of the most strongly-marked characteristics of the older school of British Political Economy was its intense jealousy of State interference with the processes of industry or with the course of trade. From Adam Smith down to Fawcett and Cairnes no principle was more strongly inculcated than this—that for the State to interfere to protect industry or to encourage trade or to regulate the conditions under which either was carried on was sure to end in economic mischief. This principle rested on certain broad grounds of political expediency and economic law which I cannot attempt to do more than indicate here. In the first place, these writers considered Governmental interference in trade as entirely outside the proper sphere of government, and, indeed, wholly inconsistent with one of its most important functions. The great and supreme functions of government, after securing the State from external foes and from internal disorder, were the maintenance of the liberty and property of the individual citizen. But it is impossible for the State to dictate the conditions under which industry or trade shall be carried on without interfering with the liberty of the individual in the most important matter which concerns him, the occupation by which he earns a living for himself and those dependent on him. The State, whose function it is to secure men's liberty, was thus itself guilty of a serious breach of that liberty in regard to one of the most important concerns of life.

In the second place, it was a great maxim of the older political economy that trade and industry, when left to themselves, naturally follow the lines of least resistance, and, therefore, the lines of greatest economic result. Industry will never be so productive, nor trade so successful, as when those engaged in them are free to follow the course which their own skill and experience point out to them. Every law or regulation, therefore, which tends to deflect industry or trade out of the channels which they would naturally follow, to impose upon them methods or direct them in courses which, if left to themselves, they would never take, must necessarily result in diminished production and less fruitful

exchange; and must, therefore, be injurious to the wealth and prosperity not only of the individual but of the whole nation.

In the third place, as the regulation of trade and industry is no part of the proper functions of Government, so no agency is less fitted to regulate them wisely than those who control the government of States. It is impossible that any set of men who are engaged in the great work of governing a people, can have either the knowledge, the experience, or the time which would be necessary to properly regulate one branch of industry, not to speak of regulating the whole industry and trade of the people they govern. The history of State regulation of trade is a record of the most dismal failures. The men who have been engaged in some particular trade or industry all their lives, who have given their whole energy and time to its pursuit, often make grievous mistakes as to the effect upon their own industry of a particular measure or a particular course of events. How then can we expect that men who have none of this experience, and none of this daily watchful care, will gauge the effect of the measures they propose for the encouragement or regulation of trade? The fact is, and many historical examples could easily be produced to prove it, that the effect of State measures for the regulation of industry and trade has been generally the exact opposite of what was intended. Men calculate upon the direct and immediate results of a particular course of action, but from ignorance and inexperience fail to foresee the indirect and ultimate results which frequently defeat the whole aim and object of their measures. They think the obvious way to drive the nail is to hit it on the head, but never reflect that they may split the wood. Hence it is that State regulation of trade, whilst it has hardly ever produced the effect that was intended, has generally ended in disastrous results that its authors never dreamt of.

In the fourth place, economists have always held that the wealth and prosperity of nations depend upon the frugality, the industry, and the enterprise of the individual citizen. Whatever tends to discourage the enterprise, or to slacken the energy of the individual, must tend to the impoverishment of the State. Now, nothing can be more certain than that State interference with trade and industry—the attempt to dictate or to discourage certain methods of production, to force trade into channels which it would not otherwise follow, to protect industries against competition, to give preferential advantages to one form of industry or one channel of trade over another—that all these forms of interference directly tend to discourage that private enterprise and private energy on which the economic welfare of the State depends. Some men are harassed in their industry and met by restrictive and hampering regulations at every turn: some men are encouraged to depend on State protection (as it is called) instead of depending on their own energy; some are induced by State encouragement to

enter upon a certain line of trade or production, when by their own enterprise they could have found and worked a much more profitable one. And so the tendency of State regulation is to sap the very basis of individual enterprise and individual energy, on which the wealth of nations ultimately rests.

When these principles were first expounded nearly every industry and every trade in every nation of Europe was under some form of State regulation or protection. Freedom of labour, freedom of production, freedom of exchange, were hardly known in any department of economic life. The cry of *Laissez faire*, which arose in France just before the great Revolution, was the cry of industry fettered and tortured by State regulation and State interference. "Let us alone to do as we would, to work and to trade in our own fashion," was one of the great demands which led to the Revolution, and one of the most beneficial effects of that Revolution was to sweep away for ever a multitude of harassing imposts and harassing regulations which made industry unproductive and, in some cases, almost impossible. In Great Britain the process of freeing trade and industry from these fetters has been slower, but the result has been more complete and more secure. From the time that William Pitt, one of Adam Smith's earliest students and followers, began to reform the fiscal system of Great Britain down to the last of Mr. Gladstone's great budgets, the principles of free industry and free trade, first fully expounded in the *Wealth of Nations*, have achieved a series of splendid triumphs. There can be little doubt, I think, that the industrial and commercial supremacy of Great Britain have been mainly due to the comparative thoroughness and completeness with which these principles have been carried out in her fiscal, industrial and commercial system.

But there has undoubtedly arisen in later years a great reaction against the principles of the earlier political economy. *Laissez faire* has become a word of contempt and scorn in many most influential quarters. Carlyle and Ruskin have poured forth volumes of eloquent vituperation upon the idea of the State standing by and letting people alone to manage their own business and their own lives in their own way. The great development of Trades Unionism, the fundamental principles of which are the protection and restriction and regulation of industry, has been accompanied by a revival of the old ideas of the functions of the State, and by demands that the legislature should regulate the processes of industry, should fix the hours of labour, should dictate the conditions under which labour should be carried on; and, in fact, should undertake to make life easy and happy by abolishing the stress and strain of competition. What is called the new Political Economy preaches regulation and not *laissez faire*; and, in the interests of a high ideal of social life, throws doubts on all the best-established laws of social development. Mr. Herbert Spencer's

is almost the only voice now heard to proclaim the old doctrine of industrial liberty as against State regulation, and his is a voice crying in the wilderness.

There are many causes for this re-action, into which it is not possible for me at present to enter. But, as leading up to the main subject of this address, I may mention two or three elements that have been at work to revive the faith of the people in the power of States and Governments and Legislatures to promote their economic welfare and prosperity, and to regulate their lives better than they can regulate them for themselves.

1. First of all, there arose a moral revolt in the minds of the people against some of the results of unlimited competition and unrestricted freedom in the conduct of industry. The Factory Acts were the first great outcome of this moral upheaving. Lord Shaftesbury gave direction to the outcry against the evils of the factory system. But, although his measures were strongly opposed by those who had been the great leaders in the Free Trade controversy, it is very doubtful whether it is any necessary part of the true doctrine of the freedom of labour from State control that men should be at liberty to subject their wives and children to excessive and unhealthy forms of labour.

2. In the second place, there has been a strong and energetic protest by many able and influential men against the view of the functions of government on which the doctrine of *laissez faire* is founded, as entirely too narrow and inadequate. That the State should keep the peace and secure the life, liberty, and property of its members, and then leave them to work out each for himself his own happiness or his own economic welfare seems to them an ignoble conception of State duty. They contend that it is the function of the State to regulate the lives of its members,to mould them into worthy and capable citizens, to see that their hours of labour are not too long, nor the conditions of their labour unhealthy, to educate them, house them, watch them, provide them with books to read, and pictures to look at, amuse them and make them happy. The State is to be the good father of a family, providing for the wants of children who are too ignorant and inexperienced to know their own good, or to pursue it in the right method.

3. The authors of this theory of paternal government were not always, nor indeed often, in favour of giving a share in the government to the people themselves. But since the people themselves have obtained the largest share in the government of the country, the notion of enlarging and extending the functions of government has had great attractions for them. At the time when the manufacturing and commercial classes became the great power in the Government, they had long been suffering from many forms of State interference and control devised by the landed aristocracy. Hence the chief use to which they

were inclined to put their new power was to strike off the shackles from trade and industry, and to proclaim the freedom of individual effort and enterprise from all State control. But when the labouring classes were admitted to power, freedom of trade from State interference had long been the policy of the British government, and the labouring classes were disposed to attribute any grievances they suffered from rather to too little, than to too much, control from the State. They did not share the old jealousy of State interference, because they thought that what they suffered from was competition, and not regulation; and they saw no reason to doubt that when the powers of the State were in their own hands, or under their own control, they could be used with much advantage to soften the conditions of labour, and to add many comforts and enjoyments to the life of labour. The great extension of the franchise in recent years, and the admission of the labouring classes to a large share in the government of the State, have thus added much force to the re-action against the doctrine and practice of *laissez faire*.

4. But the matter to which I wish to call your special attention this evening is the enormous extension which has been given to the sphere and functions of government by the great development which we have witnessed in recent times of the activity and power of local or municipal government. Great powers and functions have from time to time, both by general and by local statutes, been conferred by Parliament upon local authorities, both urban and rural, and these local authorities have exercised powers and assumed duties in various directions far beyond anything that the central Government ever dreamt of. In particular, they have gone farther in the way of interference with trade and industry than, I think, the central Government in this country ever went; not so much in the way of regulating trade and industry in the hands of others, as that they have themselves entered the field as manufacturers and traders, and have offered themselves as competitors against private enterprise, or have established for themselves a monopoly, in the supply of many articles of consumption to their citizens. It is to this great phenomenon of municipal trade and municipal enterprise as competing against private enterprise, or as monopolizing the field which would otherwise be occupied by private enterprise, that I wish to direct your attention. I think it will be of use to consider what are the advantages which municipal trading holds out to the consumer and ratepayer, what are the disadvantages and dangers which attend it, and what are the limits (if any) within which it should be confined.

In dealing with these questions I shall avail myself largely, and almost exclusively, of the evidence taken by the Joint Committee of Lords and Commons, appointed in 1900, "to consider and report as to the principles which should govern powers given by Bills and Provisional Orders to municipal and

other local authorities for industrial enterprise within or without the area of their jurisdiction." This Committee took a large body of evidence, which has been published in a Blue Book, but they did not report the result of their inquiries, and we have not got the advantage of knowing the conclusions to which they were led by the evidence brought before them.

1. One of the matters to which the Committee gave great attention was the attempt to define the limits within which municipal trading should be allowed. On this matter a great variety of opinions was offered to them, ranging from that of the witness who would put no limit on municipal trading except the circumstances of the locality, down to that of the witnesses who contended that a corporation should supply nothing that can be obtained from private enterprise, and that the only justification for a municipality taking up any work is that they can not get anybody else to do it. Most of the witnesses were agreed that water, light, and tram cars were the three leading articles in which municipal trading was not only legitimate, but useful: but as regards the principle upon which these articles were selected out of all others as proper for a Municipality to deal with, there was very little agreement indeed. I will not trouble you with any enumeration of the more or less wild suggestions as to the extent to which Municipal trading should be allowed, nor of the more or less absurd reasons urged for allowing such trading; but I will take what seem to me to have been the most reasonable and moderate suggestions offered by the advocates of Municipal trading as to the limits within which Municipal trading should be confined.

Mr. Samuel Chisholm, who was then Lord Provost of Glasgow, gave very important and interesting evidence on most of the points with which the Committee had to deal. He defined the conditions under which Municipal trading should be allowed in the following words:—"In my opinion, there are three conditions which should meet, or at least two of which should meet, before a Corporation should be authorised to take over any public enterprise. I have indicated them already: (1) that it is more or less practically a necessity, (2) that it is practically a monopoly, and (3) that it requires the use of the streets. I think that where any two of those three conditions exist, the Corporation is entitled and warranted to carry on the enterprise."—Q. 2758, p. 220.

Now, as regards these three conditions, I think we may practically leave the first out of consideration. Water, light, and locomotion are, no doubt, necessities of civilised life: but they are no more necessities than bread, clothes, or boots. But nearly all the witnesses, including Mr. Chisholm, repudiated the suggestion that any Corporation should be allowed to set up a Municipal bakery, or a clothes factory, or a boot factory. These prime necessities of life are left to the ordinary law of supply and demand, and it is evident that the more imperious the

demand the more certain will be the supply. That a thing is a necessity, so far from being a reason for its being supplied by the community, is a reason why it may be safely left to be supplied by private enterprise. We must, therefore, look at the other two conditions, monopoly and the use of the streets. Now, the supply of water, of light, either in the form of gas or electricity, and of street trams, whether with horse or electric traction, undoubtedly require the use of the streets, and must, undoubtedly, be more or less in the nature of a monopoly, as it is impossible to give the use of the streets to an unlimited number of competing companies. We must inquire, therefore whether the union of these two conditions constitutes a valid reason for giving the supply of these articles to the Municipality to the exclusion of private enterprise. If there is to be a monopoly in the supply of any article, is it better that this monopoly should be in the hands of the Corporation representing the community, than in the hands of a private company or a private individual? The answer of many of the witnesses to this question was: Certainly. If there is to be a monopoly, let the profits of the monopoly enure for the benefit of the whole community, and let it be retained in the hands of those who will use it for the advantage of the whole community. There is much to be said for this answer; and it is most attractive on the first view of the case: but there are considerations to be urged on the other side. The great danger of a monopoly is the absence of the stimulating and controlling power of competition. Where you have a monopoly the only efficient substitute for the pressure of competition is strict supervision and regulation. Now, if the Corporation, instead of supplying the monopolised article itself, commits the supply to a private company or a private individual, the monopolist must make his bargain with the Corporation, and must remain under the supervision and control of the Corporation; whereas, if the Corporation is itself the monopolist there is no supervision or control anywhere. This point was well put before the Committee by Mr. Livesey, the Chairman of the Gas Companies' Protection Association:—"The argument is that a gas undertaking, being a monopoly, should be in the hands of the local authority. What I say to that, I may shortly put in this way: If we are to have a monopoly you had far better have a monopoly with somebody to look after and control it, than an uncontrolled monopoly. If the gas supply were put into the hands of Corporations everywhere they would be absolute masters of the situation, and the consumers would be at their mercy. But a regulated monopoly in the hands of a company, regulated by legislation and controlled by the local authority, is far more likely to serve the public well than a monopoly which is uncontrolled, as it would be if it were in the hands of the Corporation."—Q. 3293, p. 262.

But there is a further and more important consideration.

The supply of an article may be a monopoly in one sense, but not in another. For instance, a company may have an exclusive right to supply gas. But that does not confer an exclusive right to supply light. And though as long as gas was the chief source of light the company may have had a practical monopoly in the supply of light, yet the introduction of electric light puts an end to that monopoly. Now, if the supply of gas is in the hands of a private company the field is open for the competition of a new and better supply of light; but if the supply of gas is in the hands of the Corporation, they have the power, and in many cases have exercised the power, of blocking out the new invention and forbidding the competition of the new light. This shows how much more rigid and how much more dangerous, a monopoly may be in the hands of a Corporation than it could ever be in the hands of a private company.

As to the third point, the use of the streets, I quite agree that a Corporation should never part with its control over the use of its streets. But the concession of way-leave in the streets to a private company for gas pipes or water pipes, or electric wires or trams, does not involve parting with the control of the streets. The Corporation may insist that any work done upon the streets shall be done under its own supervision, and in the manner most convenient to the public, or it may even insist (as is done in many cases) that its own officers and workmen shall do the necessary work upon the streets at the company's expense. If you have the Municipality supervising and controlling the work of a private company, and in a position to insist that any work to be done on the streets shall be done in the most convenient way, and at the most convenient times, and so as to cause least obstruction to the thoroughfare, you are far more likely to have the public interest in the thoroughfares safe-guarded than if you have the Municipality and its officers breaking up the streets for their own purposes and at their own discretion, without control from any other authority.

These are the considerations which seem to me to make it extremely doubtful whether even the combination of all three of Mr. Chisholm's conditions, viz—a public necessity, a practical monopoly, and the use of the streets, compel us to resort to Municipal enterprise for the supply of an article which can be supplied by private enterprise.

It is very hard, indeed, to fix any logical or practical limit to Municipal trading enterprise if once you allow that a Municipality may enter upon trade at all. Some witnesses held that a Corporation might be allowed to take up any branch of industry or trade, provided it was not allowed to make a profit: other witnesses contended that one of the great advantages of Municipal trading was the profits which went in relief of the rates. Some witnesses held that a Corporation might *supply* articles to the ratepayers, but should not be allowed to *manufacture* them; others pointed out that this was to compete with the small trader, whilst leaving the wealthy manufacturer free from rate-aided competition. I confess that the result of a study of the whole evidence was to leave on my mind a distinct conviction that the only case in which there is a clear necessity and a complete justification for Municipal trading is the supply of water to a large community, when such a supply is essential to the health and comfort of the people, and cannot possibly be provided by private enterprise.

II. I will now proceed to consider the advantages, which those who advocate Municipal trading assert that it possesses over private enterprise as a means of supplying articles of prime necessity to the community. These advantages are stated briefly and clearly by Sir Thomas Hughes, an alderman of Liverpool:—"After 23 years' experience I have come to the conclusion that many undertakings, which in the eyes of some people are commercial undertakings, would be best carried on and promoted by a Corporation. I make that statement on the grounds that, in the first place, a Corporation can obtain their capital at a much cheaper rate of interest. Then they practically make the people, whom they represent, partners in the concern, who become interested in its welfare and support it. Then they have no dividends to declare; and I believe myself that there are many men who would devote their public life to carrying on these undertakings rather than ally themselves with private undertakings."—Q. 2085. It will be seen that Sir Thos. Hughes claims for Municipal trading four advantages over private enterprise:—(1) Cheaper capital, (2) the partnership and support of the whole community, (3) no dividends, and (4) unpaid management. Let us look at these alleged advantages.

In the first place, it is clear that these advantages are not confined to any particular branch or form of trading, but apply equally to all. If Municipal trading has all these advantages over private enterprise, and is, therefore, more efficient and productive, why should not these advantages be made use of for the better and cheaper supply of every article which the community needs? If of water, why not bread? If bread, why not clothes and boots? If the community as such possesses all these enormous advantages in cheapness and efficiency of production over the private trader, the logical result would seem to be that the community should possess itself of all the instruments and agencies of production, and become the sole caterer for the wants of the citizens. But the advocates of Municipal trading will not go that length. "You would not advocate a Municipality undertaking public bakeries?" Sir T. Hughes was asked by Lord Peel. "Oh, dear, no," was the answer. "There are certain things that have been asked for that appear to me to be ridiculous."—Q. 2229. But yet Sir Thomas wholly failed to give any reason why the cheap capital,

the unpaid management, and the absence of dividends should not be employed to give the poor the benefit of cheaper and better bread.

The fact, of course, is that the cheaper capital means that the Municipal trader, instead of borrowing on the security of the solvency and success of his trading, is able to pledge the rates for the repayment of his capital, and that the success and solvency of his trading is, therefore, not a vital concern. The absence of the necessity to declare dividends means that the Municipal trader has not angry shareholders to meet if he bungles his business and lands it in financial difficulties. The unpaid management means that the trade is conducted by men who have had no special training for the business, who have their own business to attend to, and are able to give only a corner of their minds to what is everybody's business and nobody's business. The partnership of the whole community in the concern means that every ratepayer, whether he will or no, is compelled to take shares in a business over which he has no control, managed by men of whose capacity he has no proof, and in many cases using capital, supplied by himself, to supplant and ruin him in his own trade. If these are the conditions of successful trading, we must revise all our notions of human nature, and renounce all the maxims of homely wisdom which embody the experience of our forefathers. If unpaid, amateur management, easy and irresponsible borrowing, no stimulus from competition, and the absence of any necessity to show a sound balance-sheet, make the success of Municipal enterprise, then it is clear that men and things in Municipal life must work on wholly different principles from those which hold good in private life.

III. I will now proceed to indicate very briefly the main objections which were urged against Municipal trading by those witnesses who were unfavourable to a further development of the system.

1. It was pointed out by several witnesses that the various local governing bodies have already quite enough work to do in carrying out their primary and fundamental duties, and that to divert their attention from these to matters of manufacture and trading, would be a fatal policy for the success of local government. If to the necessary work of local government is to be added the direction and management of several large and increasing branches of manufacture and trade, the consequence must be either that the primary duties of the local governing bodies must be neglected, or that the Municipal trading must be left without adequate supervision and control, or that men who have business of their own to attend to, and can give but a moderate share of their time and energy to the work of the Municipality, must abandon the work of local government to others. Men of high character and position in the commercial world will neither consent to neglect their own business,

nor to continue responsible for public business to which they cannot properly attend. The consequence must be that Municipal affairs will tend to fall into the hands of a most undesirable class—men who have no business of their own to attend to, and make a business of Municipal politics. (See Lord Avebury's evidence, p. 124.)

2. In the second place, Municipal trading always tends to become a monopoly, and to acquire all the abuses and dangers of a monopoly. Where a Municipality undertakes the supply of any article, it always uses its powers to secure to itself as far as possible the exclusive right of supply. That is natural, and what might be expected. The Association of Municipal Corporations has always claimed that where a Municipality is authorised to trade there must be a monopoly. "Having spent the ratepayers' money in laying down extensive plant, we claim that it is against all Municipal practice to allow competition from private companies." (Chairman of Manchester Electric Committee, p. 63.) "Municipalities have been encouraged and assisted by Parliament to borrow large sums of money for electric lighting undertaking, and it had always been on the understanding that there should be no competition." (Town Clerk of Liverpool—*ibid.*) If a Municipality is allowed to trade, it has always the power, directly or indirectly, to create a monopoly, and will use that power. The usual results of monopoly trading, and the absence of the stimulus of competition must ensue—slackness in management, want of enterprise, persistence in obsolete methods, and resistance to new inventions. The very fact that a Municipality has invested a large amount of public money in a particular undertaking makes it very slow (and naturally and properly so) to welcome any new process or invention that would render its plant useless. A private company would have the same reluctance, but would be compelled by the pressure of competition to overcome it. "If a Municipality or local authority has put down works by monies borrowed upon the rates for the supply of a certain commodity, and it finds that every company is taking up some new invention which enables the commodity to be supplied better or more cheaply, it is extremely difficult for that Municipality or local authority, to, so to speak, 'scrap' all its plant, and lose the money which it has borrowed for these purposes, and to commence a new industry with money also borrowed on the rates; whereas in the case of a company the Municipalities would in effect say, "You must either adopt this proposed improvement, and give us the better supply, or we shall encourage some one else to come in and do it; and they would bring them in in that way. There is no incentive to progress or to take advantage of new inventions when the trade is in the hands of the Municipality." (Mr. Sydney Morse, Q. 852, p. 64.) This view is illustrated and confirmed by the history of electric lighting in towns where the gas works were the property of the

Corporation. In every such case the adoption of electric lighting has been blocked and hampered in every possible way, and one of the commonest ways is for the Corporation itself to get a Provisional Order for electric lighting, so as to shut out any private company, and then to hold its Order for years without doing anything upon it.

Another evil effect of Municipal monopolies arises from the fact that Municipalities never *initiate* anything. They are timid and nervous about adopting new inventions or launching out on new courses, and naturally and properly so. They are trustees of the public funds, and they have no right to enter upon speculative undertakings. They wait till a new undertaking has become an assured success before they adopt or buy it up. This has been their history as regards tramways, gas, electric lighting, and electric traction. New inventions, new processes are always of a speculative character, and can only be taken up and worked out at the risk of private capital; and it would be fatal to industrial progress if private enterprise were shut out from large fields of trade and industry. Municipalities have bought up and taken over gas works, tramways, electric works, etc, when private enterprise has carried them to success: but nobody can point to any case where a Municipality has in the first instance taken up a new invention and made a success of it. "I think it would be a most serious thing for the nation at large, if private enterprise were discouraged from taking the initiative; because the history of all industrial undertakings proves that local authorities are not able to take the initiative, and do not take the initiative. Therefore, I say that private enterprise should be fully encouraged, and left unfettered, until the time comes when the undertaking which they have established is of such general utility that the State or the local government think it advisable to take it out of the hands of private enterprise." (Mr. Emile Garcké, Q. 1132, p. 85.)

3. 'This brings me to the most important of all the objections to Municipal trading, and that is, that it blocks, discourages, and defeats that private enterprise which has been the source of all our industrial and commercial success up to the present, and is our main hope for the maintenance of that success in the future. As I have said before, Municipal trading must be monopoly trading. Not only do the Municipalities object to competition, but Parliament and the Board of Trade encourage them in that objection. "Is there any instance," Lord Crewe asked Sir Courtenay Boyle, "of a Municipality having got an Order and competition having been asked for by a company? A.—No; I do not think we have ever been asked to allow that. Q.—Such a case has never arisen? No; my impression is that it is generally admitted that it would be useless to apply in such a case, and that no application of that kind has been made.' (Q. 71, 72, p. 8.) What the result would be of thus

denying private enterprise its legitimate opportunities in any field of industry might easily be forecast by anyone at all acquainted with the principles and history of commercial success; but I wish on this occasion to call your attention to some of the facts which were put in evidence by several witnesses.

Nothing can be more startling and instructive than a comparison between the place which British capital and enterprise took in the application and development of steam power, and that which it has taken in the application and development of electrical power. Sir Benjamin C. Browne, chairman of a large firm of engineers and shipbuilders at Newcastle-on-Tyne, gave very striking evidence on this point: "I am quite sure in the case of railways that the industrial development of England for the last 50 years has been very much helped by the fact that when the English railways were made they were made by private companies. There is no doubt the railways of England were chiefly made by private enterprise: private individuals formed companies and found the money. They made mistakes, and learnt by their mistakes how best to do the work, and on the whole they succeeded and made profits. Then the same directors and the same shareholders and engineers went on and made railways in other countries, and the consequence was that for a number of years England was looked upon as the great centre of the railway industry. As compared with that, in electrical lighting England is behind most civilised countries. We have a great quantity of electrical machinery, and so on, imported into England, because people in other countries have got more experience in regard to the electrical industry. There is no doubt whatever that if you want electrical locomotives, or anything of that sort, you will find people abroad have had more experience than anybody has had in England. That means that we are taking a wrong place—that instead of being at the head we are behindhand, and the effect of that is a very serious loss indeed, above all to the working classes, and also to capitalists, landowners, and other people." (Q. 1336, p. 110. See also Q. 1646, p. 131.) Mr. Emile Garcké, an electrical engineer, gives some striking figures: "Taking just the four or five leading electrical manufacturing firms in this country they have a subscribed capital of something over two millions, whereas taking the same number of firms in Germany, taking the leading firms in each case, the subscribed capital of the four or five principal firms in Germany is over thirteen millions. The average dividend paid by the English firms is about 4½ to 6 per cent, whereas the dividend paid by the German manufacturing firms averages between 10 and 25 per cent." (Q. 1180, p. 91.)

Now to what cause is it due that Great Britain, which took such a lead in railway enterprise, and indeed in every development of steam power, should have fallen so far behind in electrical

science. It was admitted by all the witnesses that this could not be accounted for by any backwardness in British electrical science. It is well known that British physicists have taken a foremost place in working out the theory of electrical energy and in devising applications of it to new purposes, and the name of Lord Kelvin alone is sufficient to repel any suggestion of that kind. And British electrical engineers are not behind any in the world in skill and enterprise. It was suggested to Sir Benjamin Browne that at the time of the introduction of railways Great Britain had a greater relative superiority in commerce all round than she has now. His reply was:—"We had a general commercial superiority, but I think most people would agree in saying that it was due to the fact that Englishmen were, all through, so much more inclined to use individual enterprise, and not to leave things to be done by Government bodies." (Q., 1339, p., 113). The plain fact is, as appears from abundant evidence laid before the Commission, that in England, the home of Free Trade, electrical enterprise is not free, but is blocked, hampered, and restricted in every direction by monopolies created in favour of Municipalities, monopolies which, in many cases, the monopolists themselves are unable or unwilling to use. Case after case was laid before the Commission in which Municipal bodies have successfully opposed the introduction of electric lighting, or electric traction, either because they were themselves interested in gas or horse tramways, or because they intended at some time or other to become suppliers of electric power themselves and they wished to keep the field clear. Case after case was referred to where Municipal bodies, in order to block the way of private enterprise, had themselves obtained provisional orders for electric lighting, and then would neither do anything themselves, nor allow anybody else to do anything. This is the real cause for the backwardness of these countries in electrical matters. We must remember that electrical enterprise in America and in Germany is wholly in private hands. In fact, except in water, Municipal trading is unknown in the United States.

But when we consider that, of 438 Provisional Orders for Electric Lighting, 311 were granted to local authorities, and that of those 311 only 209 were proceeded with, we can easily see how private enterprise is hindered and discouraged. "During the whole of this time," says Mr. Emile Garcké, "English electrical manufacturers have been hungering for orders for electrical machinery, but they have not been able to establish large factories, because they did not know what was to be the development of the industry—whether it was coming on or not. Meanwhile foreign electrical manufacturers, who have had the benefit of supplying electric lighting for many years past, and the Americans likewise, have been able to establish large factories, and to go in for all kinds of experimental work; and, in fact, to develop the industry in every way." (Q. 1180, p. 91.)

Another way in which Municipal trading tends to hinder enterprise is this: If a private firm or a private company takes up the manufacture or supply of an article within a given area, makes a great success in its venture, acquires capital, experience, and skill, it may carry its enterprise into new fields at home or abroad, push trade in every direction, and, by extending its operations, probably render them much more effective and productive. But Municipal enterprise must be confined to the limits of its own Municipality, and can have none of the advantages which are derived from extended trading and increase of production. Again, it has been found that electric power can be produced most cheaply and effectively by generating it at a large central station, and distributing it over a large area. Electric power companies have been formed for the purpose of supplying electric power on a large scale, and over a large area, and much more cheaply and efficiently than it can be supplied from a local station; but these companies are everywhere opposed by small local bodies, who have got power to supply electricity themselves, and who will not allow this natural development of electric industry to proceed. "Take the Lancashire or any of these large power districts: it includes a large number of towns, and each town wants to protect its own little power station Now, what science says is, it is better that you should have one large generating station, and supply all those various towns with electricity in bulk. Obviously, therefore, it is not for any one local authority to take the initiative in that: they cannot do it; but, by reason of having that power station of their own, they veto the establishment of a central power station, and prevent the development of the industry" (Q. 1,292, p. 102). This aspect of the case is well illustrated by Sir Benjamin Browne by reference to the history of railways: "Supposing, for instance, when railways were first made, every county in England had insisted upon having the control of the railways in its own county, it is quite obvious we could never have had the through trunk lines of traffic which we have now, and it would have been impossible to make them afterwards, and we might had all sorts of gauges and lines running in all sorts of directions, and we could not afterwards have made up the main line from, say, London to Edinburgh, out of a quantity of piecemeal lines started by the various localities" (Q. 1339, p. 107).

The limit of space and time forbid me to enter upon other objections which may be urged against municipal trading; as, for example, the interference with the natural law of supply and demand, which leads to so many inconveniences and to so many futile projects. It is impossible to persuade men that they do not know their neighbours' business better than their neighbours know it themselves, and hence their eagerness, when they get the power, to try to regulate their neighbours' lives according to their own notions, and to supply them with articles and services which

they neither desire nor need. Hence the admitted failure of nearly all Municipal schemes to improve the dwellings of the poor. It was admitted by nearly all the witnesses, even those most favourable to Municipal enterprise, that schemes of this kind throw out of house and home a much larger population than they can re-house, and thereby intensify the evils of overcrowding in some other locality. It is also admitted that they provide a class of house which is wholly unsuited, both in its character and its rent, for the people for whom it is intended. And so the despised doctrine of *laissez faire* receives a new justification, even in the department where its evil results have been most denounced.

I have not time to do more than refer to the great political and economic evils which may result from the vast and increasing army of Municipal workmen who elect their own masters, and will soon have power to dictate the terms of their own employment. This also is an evil which is admitted by the most strenuous advocates of Municipal Trading, and so threatening does it appear to some of them that they suggest as a remedy the wholesale disfranchisement of Municipal employees.

I will only say, in conclusion, that the general principles set out in this Address seem to me to be of peculiar importance as applied to our own country. Ireland more than any other part of the United Kingdom seems to me to believe in the powers of Government, both for good and for evil, and to be inclined to demand and rely upon the assistance of Government in the building up of its industries and the revival of its trade. Ireland, more than most other countries, has good reason to know how powerful Government may be for the destruction of industry. She has yet to learn how powerless Government is to create or revive it. The Irish people, who have now got the powers of Local Government in their own hands, are sure to be tempted into many schemes for the artificial promotion and protection of Irish industries and trade. They will learn by experience that the only way in which industry and trade can be created or fostered in Ireland is by the energy, the frugality, and the enterprise of the individual Irishman. The more the people trust to themselves, and the less they rely upon Government Departments, the sooner we shall see that great development of Irish prosperity for which we have been waiting so long.

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